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IN THE

Supreme Court of the United States

October Term, 1951

No. 459

EDWARD P. SCHREYER AND RIVAL MANUFACTURING COMPANY,
Petitioners

vs.

CASCO PRODUCTS CORPORATION, *Respondent*

PETITION FOR WRIT OF CERTIORARI.

34245

DAVID S. DAY,
First National Bank Building,
Bridgeport 3, Connecticut.

MORRIS HIRSCH,
420 Lexington Avenue,
New York 17, N. Y.,
Attorneys for Petitioners.

December 3, 1951.

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To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States.

Your petitioners, Edward P. Schreyer and Rival Manufacturing Company, pray that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Second Circuit in the above entitled case.

A certified transcript of the record in the above case, including the proceeding in said Court of Appeals, is furnished herewith in compliance with Rule 38 of the rules of this Court.

OPINIONS.

The opinion of the District Court (R. 37 to 56) is reported at 97 F. Supp. 159. The opinion of the Court of Appeals (R. 1029) is reported at 190 F(2d) 921.

JURISDICTION.

The jurisdiction of the Court is invoked under Section 240(a) of the Judicial Code as amended June 25, 1948, effective September 1, 1948 (28 U. S. C., Section 1254(1)) and under Section 5(b1) of Rule 38 of this Court.

The opinion of the Court of Appeals is dated August 8, 1951 (R. 1029). Petition for Rehearing or Remand (R. 1036) was filed on August 23, 1951, and was denied on September 6, 1951 (R. 1052).

STATUTES INVOLVED.

The Statutes relied on are 28 U. S. C. 1338(b) and 35 U. S. C. 31, R. S. 4886, the pertinent parts of which are reproduced in the Appendix.

QUESTIONS PRESENTED.

1. Whether petitioners are entitled to injunctive relief against respondent Casco Products Corporation (hereinafter called Casco), restraining the unfair competition.

2. Whether Patent No. 2,475,572 is valid.

3. Whether the Court below has correctly applied the patent law as declared by this Court, in its conclusion of non-invention, in the face of the finding of fact that the patent in suit overcomes no less than four difficulties which the Court below found to be inherent in all of the prior art.

SPECIFICATIONS OF ERRORS TO BE URGED.

The Court of Appeals erred:

1. In refusing to reverse the judgment of the District Court to the extent that it denied petitioners' claim for injunctive relief against Casco, in refusing to restrain the unfair competition.

2. In holding as a conclusion of law that the petitioners are not entitled to injunctive relief against Casco, but are limited to profits, gains or advantages resulting from and

attributable to the use of the information confidentially imparted to Casco from the date of the disclosure of such confidential information to the date of issue of Patent No. 2,475,572.

(3) In reversing the judgment of the District Court by holding Patent No. 2,475,572 invalid.

(4) In finding as a conclusion of law that Patent No. 2,475,572 is invalid in the face of its finding of fact that the patent overcomes all four of the defects which both Courts below had found to be inherent in all of the prior art and in disregard of the fact that the experts in the art had struggled in vain for ten years to solve these difficulties and that Schreyer attained his solution only after four years of unremitting effort and development expense of more than $80,000.

SUMMARY STATEMENT OF THE MATTER INVOLVED.

Petitioner, Edward P. Schreyer, (hereinafter called Schreyer) is the patentee and owner of Schreyer Patent No. 2,475,572, granted July 5, 1949, and petitioner, Rival Manufacturing Company, a Missouri corporation, is the exclusive licensee thereunder.

During the pendency of the application for Patent No. 2,475,572, Casco negotiated with Schreyer and his brother Milton, for a license thereunder. In the course of these negotiations, Casco (which had not theretofore been in the electric steam iron business or even in the iron business), requested and was given full technical information by Schreyer, and in particular, officers and technicians of Casco were conducted on educational tours through the various plants in which specialized parts of the Schreyer iron were being made, and there were delivered to Casco blueprints and blanks, and there was disclosed to the technical staff of Casco any and all other information and "know-how" useful for the manufacture of the iron in question.

Both courts below agreed without dissent that a confidential relationship existed between the parties and that Casco had breached that relation by making use of this information for its manufacture of the accused iron and thereby gained an unfair advantage in the production of the accused electric steam iron.

This action is brought by petitioners for reversal of the decision of the Court of Appeals for the Second Circuit:

(a) *as to the unfair competition issue,* in refusing injunctive relief to restrain the further use by Casco of the information that had been divulged to them in confidence;

(b) *as to the patent issue,* in holding invalid, claims 1, 2, 3, 4, 6, 7, 8, 11, 12 and 14, by its reversal of the decision of the Trial Court which had held the patent valid as to all of said claims and infringed as to all of said claims (save only claim 8).

(a) As to the unfair competition issue.

Negotiations between Schreyer and Casco, which were the subject of the unfair competition claim, were initiated between April 10 and April 15, 1948.

Joseph H. Cone, the President and controlling owner of Casco, admitted that the negotiations were initiated by Casco (R. 793).

At that time the iron was being manufactured at Sandusky, Ohio, by Waverly Products, Inc., which was wholly owned by Schreyer and his brother Milton Schreyer.

A conference took place at Cleveland, Ohio, on May 4, 1948, at which there were present Joseph H. Cone, President of Casco, Bert Cochrane, its Vice President, Edward P. McCarthy, its Vice President and Comptroller, Alexander G. Wels, its Secretary and Assistant Comptroller, Edward P. Schreyer and Milton Schreyer.

The general outline of an arrangement under which Casco would take over the manufacturing operations of

Waverly Products, Inc. was arrived at, namely, the purchase of the special machinery, equipment, dies and tools for making the iron, and materials and parts in process and the issuance to Casco of an exclusive license to manufacture the iron.

The following day all of the parties went to the plant of Waverly Products, Inc. at Sandusky where the machinery and equipment were inspected, and the dies at the Dickey-Grabler plant were also inspected.

On May 6th and 7th, 1948, Mr. McCarthy and Mr. Wels returned to the Sandusky plant and devoted all of their time to the ascertainment of the cost of producing the iron. (R. 726-729).

The negotiations then continued in Bridgeport, Connecticut, until June 5, 1948.

At the request of Mr. Cone, Casco was furnished blueprints of the parts of the iron, eighty in number, Ex. 45, B 1 to 80, and an assembly blueprint, Ex. 51, the parts of the iron and the metal blanks from which the parts were made.

At the request of Mr. Cone, Schreyer came to Bridgeport and attended a conference in Casco's office on May 14, 1948, which was attended by Mr. Cone and the technical staff of Casco.

At this conference Schreyer explained in detail the entire process of manufacture of the various parts of the iron and the problems with respect to materials and methods of manufacture involved in producing an effective operating unit (R. 488, 555-563).

Although the Trial Court found no express agreement to hold the information in confidence and not to use it if the negotiations for license were not successful, the Trial Court found that there was a confidential relationship created between the parties by the disclosure which restricted the right of Casco to use them for the purpose for which the disclosures were made, a finding which was expressly affirmed by the Court of Appeals (R. 1033).

During the entire period of the negotiations, no definite offer was made by Casco for the purchase of the special equipment, dies, tools and parts in process for the manufacture of the iron, a fact admitted by Mr. Cone (R. 806).

On June 5, 1948, an offer on the part of Casco was made in the form of a draft agreement (Ex. 47, R. 880).

An examination of that draft agreement will disclose that it contained no binding commitment on the part of Casco for the purchase of the equipment, dies, tools and parts in process, but would have placed Casco in a position, at its election, to purchase such equipment, dies, tools and parts in process at a price predicated on their limited usefulness to any manufacturer other than a licensee under the patent and in entire disregard of the creditors of Waverly Products, Inc.

The draft agreement was rejected by Schreyer, and following such rejection, Edward P. and Milton Schreyer, by subordinating the indebtedness to them of Waverly Products, Inc. in excess of $400,000.00 for moneys advanced and accrued royalties were enabled to negotiate the sale of the assets of Waverly Products, Inc. to the petitioner, Rival Manufacturing Company, for a price which enabled Waverly Products, Inc. to make an offer to creditors under Chapter 11 of the Bankruptcy Act, which was acceptable to such creditors (R. 501, 536, 537).

On July 23, 1948, a month and a half after the termination of the negotiations, Casco had completed a drawing (Ex. Y-1) of an iron which embodied all the distinctive features of the Schreyer iron (R. 757, 8), and in September of 1948 had produced its first working model of the iron (Ex. 36). (R. 387, 8).

During this period between the termination of the negotiations and the completion of this drawing, Casco had the use of the blueprints, component parts and stampings furnished by Schreyer, which were retained by Casco until August 12, 1948, despite repeated requests for their return (R. 502, 504, 540-541).

During this period Casco copied the blueprint for the heating units, which were an essential part of the iron,

and on July 24, 1948, issued an order to Yale & Towne Manufacturing Company for the manufacture of the heating units on tools belonging to Waverly Products, Inc., accompanying the order with the copied blueprint (R. 571-872).

The units were furnished to Casco by the Yale & Towne Manufacturing Company under the belief that the negotiations were still continuing and that the order had been properly placed.

(b) No re-trial of the facts on the patent issue is requested or required but merely a proper application of the law to the facts found by the Court below.

The Schreyer Patent No. 2,475,572 covers an important development in electric steam irons of the in-built boiler type.

The defects of the prior art are succinctly set forth by the Court below as follows:

> "In each the filler opening was so small that a funnel, or its equivalent, was needed to pour water into it. The iron had to be refilled frequently and to avoid a loss of operating time during cooling, it was necessary to fill it while it was hot. This required caution, if the boiler was hot and empty, to prevent flash steam and boiling water from spouting through the filler opening, and the filler plug might be so hot as to require the use of some shielding material between it and the operator's hand. The threads on the plug or the opening, or both, might become corroded, and the corrosion might cause the plug to stick so that the operator could not remove it manually." (R. 1031).

The skilled workers in the art had made persistent attempts to solve some or all of these defects during the previous ten years but all of these attempts resulted in failure.

The Court below also correctly and succinctly set forth the construction by which the Schreyer patent overcame all of these defects of the prior art, stating as follows:

"The patent in suit has apparently disclosed a combination which does away with these handicaps by putting the handle of the iron on a separate plate hinged to the main body of the flat iron at the rear and held in position when closed by a turn latch at the front. The filler opening to the boiler is placed under the hinged cover and given a mouth wide enough to allow water to be poured in readily without the use of a funnel. The opening is a conical tube tapered toward the bottom with baffles inside the boiler to prevent the spouting effect of flash steam. The closure, mounted on the under side of the hinged plate, is a spring-held plug, ringed with suitable sealing material, which enters the filler opening when the hinged plate is closed. The leverage provided by the hinged plate enables the operator to press the plug into sealing position against the pressure of the spring and the latching of the plate holds it there. As the spring is not completely depressed, the plug serves as a safety valve by lifting under excessive pressure in the boiler and allowing the boiler to 'blow off' until its pressure falls below the spring pressure." (R. 1031).

The Court below moreover does not disagree with the further finding of the Trial Court (R. 40) that, unlike the prior art, when steam is blown off under excessive pressure in use of the Schreyer iron, it is directed sideways by the shield plate so that it cannot scald the user.

Schreyer devised the invention of the patent in suit and developed it by his own labor in his own laboratory at his own risk and expense after four years of diligent effort and personal expenditure in excess of $80,000. (R. 164, 180).

The invention was the first to do away with the need for a filling funnel or any other extraneous accessory for charging the hot iron with a fresh supply of water in the course of use; it insured safety of use by permitting filling of the boiler of the hot iron without spurt of steam and boiling water; it did away with the need for handling or even touching the closure plug or for the use of shielding material to guard against burning of the fingers in re-

moving the closure plug, and it did away with the corrosion of the closure plug and the need for gouging it out by resort to special equipment and then replacing it, as necessitated by the prior art. (R. 40, 1031).

The electric steam iron of Schreyer's invention met with immediate trade acceptance, not only on the part of Schreyer's exclusive licensee, one of the petitioners herein, but as the only electric steam iron sponsored and distributed in almost 1,000 retail stores of the Singer Sewing Machine Company; its merit was attested by the fact that Casco, without prior knowledge or experience in the electric steam iron field, engaged in a study of all irons previously known (including those of the General Electric Company, the Silex Manufacturing Company, the Steem Electric Company, and others), and then selected the Schreyer development as the only one to follow and went to the extremes noted in order to obtain disclosure of the manufacturing "know-how", "know-how" which was not disclosed by a study of the Schreyer iron on the market or by a study of the Schreyer patent. And Casco appropriated Schreyer's disclosures with full knowledge that this might lead to litigation, though the principle of earlier more conventional electric steam irons that are still on the market could have been utilized by Casco without likelihood of litigation.

All manufacturers other than Casco, respected the Schreyer patent, and indeed three other manufacturers, after Schreyer's development became known, attained in part some of the advantages that Schreyer had for the first time accomplished, but did so without infringement upon Schreyer's patent (R. 185, 6, 410, 411).

There is no suggestion in the record, of any misuse of the patent or other objectionable conduct on the part of petitioners, or either of them, which might affect the right to equitable relief in a patent suit.

In nowise does the Court below disagree with any of the Findings of Fact previously made by the Trial Court, all of which are favorable to validity of the patent. The

error of the Court below resides in its Conclusion of Law which is contrary to this Court's interpretation of the Patent Statutes.

No question was raised by Casco, either on cross examination or by rebuttal or otherwise, as to the history of the art as adduced by petitioners. For this reason petitioners refrained from needlessly encroaching upon the time of the Trial Court by adducing corroborative testimony from other skilled workers in the art who had in vain attempted solution of the problems that only Schreyer solved. Yet though on July 11, 1951, the Court below had of its own motion remanded a patent case * to permit the plaintiff to adduce further testimony as to the history of the art, the Court below nevertheless denied the Petition to Remand for like purpose in the instant case (R. 1040, 1041).

REASONS FOR GRANTING THE WRIT.

I.

There Is Diversity of Decisions Between the United States Court of Appeals for the Second Circuit Which Denied Injunctive Relief Against the Further Use of Confidential information, as Contrasted With Decisions of the Court of Appeals for the Sixth Circuit and of the Court of Appeals for the Seventh Circuit Which in Similar Circumstances Granted Injunctive Relief.

In the present case, the Trial Court and the Court of Appeals held that plaintiffs were not entitled to an injunction restraining Casco from making further use of the information obtained through breach of confidence, on the ground that the information confidentially disclosed became available to the public generally when the patent issued in July, 1949. In this holding both courts relied upon the decision of *Conmar Products Corp.* v. *Universal Slide Fastener Co.*, 172 F. 2d 150 (2 Cir., 1949).

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* *Landis Machine Company, et al.* v. *Parker Kalon Corporation*, 190 F. 2d 543.

In the *Conmar Products* case, plaintiff alleged as one cause of action that defendants had wrongfully induced several of its employees to disclose certain trade secrets which the employees had contracted with plaintiff not to divulge. The Court stated, at 172 F. 2d 155:

> "Since the specifications of the patents in suit disclosed the first six secrets and part of the seventh, that much of the secrets upon issue of the patents fell into the public demesne; and, prima facie, the defendants were free to use them. The Seventh Circuit,[3] and apparently the Sixth as well,[4] have, however, held that if before issue one has unlawfully obtained and used information which the specifications later disclose, he will not be free to continue to do so after issue; his wrong deprives him of the right which he would otherwise have had as a member of the public. We have twice refused to follow this doctrine;[5] and we adhere to our decisions."

In *Allen-Qualley* v. *Shellmar Products Co.*, 31 F. 2d 293 (D. C., N. D. Ill., 1929), plaintiff, a candy manufacturer, had disclosed to agents of defendants, in confidence, a new wrap and a machine for making it. After negotiations with plaintiff, and a tentative oral agreement, defendant had a patent search made, purchased a prior patent thus revealed, broke off negotiations, and proceeded with the manufacture of an adaptation of plaintiff's wrap.

The defendant did not adopt plaintiff's machine in all its aspects. Some improvements were made, but the Court found that plaintiff's structure was the foundation for defendant's machine.

The Court held that the relationship between the parties was one of trust and confidence and that plaintiff was

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[3] Shellmar Products Co. v. Allen-Qualley Co., 87 F. 2d 104.

[4] A. O. Smith Corporation v. Petroleum Iron Works Co., 74 F. 2d 934.

[5] Picard v. United Aircraft Corporation, 2 Cir., 128 F. 2d 632; Pennington Engineering Co. v. Houde Engineering Corp., 2 Cir., 136 F. 2d 210.

entitled to an injunction as well as the surrender by defendant of the patent upon plaintiff's payment of the purchase price, stating at 31 F. 2d 297:

> "It may well be that if defendant had never been in a confidential relationship with the plaintiff, upon the plaintiff's publication to the world of its wrap, the defendant might rightfully have purchased the same. Not by any action of plaintiff, but by its own violation of confidence, it has deprived itself of that opportunity, which is open to the rest of the world. It cannot obtain in confidence the details of an alleged invention, of the process for making the same, and of the machine by which it is made, and proceed to make the product by that or similar process, or by equivalent or similar machine or methods before the plaintiff makes its publication to the world, and then assert that it is a member of the public to whom the publication has been made. A court of equity cannot approve such breach of confidence."

The decree of the District Court was affirmed by the Court of Appeals for the Seventh Circuit. *Shellmar Products Co.* v. *Allen-Qualley Co.*, 36 F. 2d 623 (7 Cir., 1929).

Seven years later the defendant brought a bill of review to modify that part of the original decree which enjoined it from making, using, or selling the candy wrap in question and from using, revealing or making known the machine for making it. The ground for modification asserted was that everything which the court originally held to be the secret invention of Allen-Qualley had been disclosed to the world through certain patents published after the entry of the original decree, and that injunctive relief should not continue to protect a right of secrecy which no longer existed.

Conceding that Allen-Qualley's trade secrets had been disclosed to the world, the Court of Appeals for the Seventh Circuit nevertheless refused to modify the decree. *Shellmar Products Co.* v. *Allen-Qualley Co.*, 87 F. 2d 104 (7 Cir., 1936). As the court said at 87 F. 2d 107-108:

"The Olsen United States patent was issued prior to Allen-Qualley's confidential disclosure to appellant, and its application was filed long before Allen-Qualley had designed its wrap or filed its application for a patent, and yet the court protected the confidential communication, because appellant by its inequitable conduct had taken itself outside the pale of the general public to which the disclosure of that patent was made. True, the Olsen patent was required to be and was assigned to Allen-Qualley by appellant because of apellant's inequity in purchasing it. That, however, did not add to the inviolability of the confidential communication, as between appellant and Allen-Qualley, nor did it detract from it. It merely gave to Allen-Qualley a monopoly against all the world. As between it and appellant, the effect was the same as if a patent had issued on the Olm and Mair application, which belonged to Allen-Qualley. In that event anyone, except appellant, could have infringed it if he desired to do so and thereby hazard an action for infringement at the hands of Allen-Qualley. But not so with appellant, for the consensus of authority is that by its inequitable conduct appellant has precluded itself from enjoying the rights of the general public to the patent disclosure, and will not be permitted to place upon Allen-Qualley the burden of suing for patent infringement, when its proprietary rights in the process have already been adjudicated against appellant. A. O. Smith Corporation v. Petroleum Iron Works Company (C. C. A.) 73 F. 2d 531; Id. (C. C. A.) 74 F. 2d 934; Allen-Qualley Company v. Shellmar Products Company, supra; Shellmar Products Company v. Allen-Qualley Company, supra; Du Pont Powder Company v. Masland, 244 U. S. 100, 37 S. Ct. 575, 61 L. Ed. 1016."

It is thus evident, as was stated in the *Conmar Products* decision, that there is a direct conflict between the decisions of the Court of Appeals for the Second Circuit and the decisions of the Sixth and Seventh Circuits on the principle of law applicable to the claim of petitioners that an injunction should issue.

It is submitted that the principles enunciated in the case of *Shellmar Products Co.* v. *Allen-Qualley Co.* above cited should govern the issues in the present case.

There is no code which defines fair and unfair competition as between manufacturers except that established by the courts.

There is no procedure for the enforcement of that code and the insuring of protection of a manufacturer against unfair competition except as formulated and applied by the courts.

When, as in the present case, a manufacturer has, over an extended period of time and through expenditure of substantial amounts of money, produced an article which serves a useful purpose and receives commercial acceptance, and in the course of business negotiations such manufacturer discloses in confidence information of value to another manufacturer with the facilities to compete and that other manufacturer wrongfully uses such confidential information in the competitive manufacture of the article in question, the damages suffered are continuous so long as the competition remains in effect.

There is also involved an issue on which there is no possibility of positive proof, namely, whether the manufacturer to whom the information is disclosed would without the advantage of such disclosure have reached a decision to compete.

The recoverable damages, limited as they are in the present case, cannot adequately recompense a manufacturer for the continuing advantage obtained through the disclosure of the confidential information.

There must, it is submitted, be a point where in measuring the flagrancy of the abuse of confidence and the uncertainty of the damages resulting from the unfair competition, the right to compete should be withheld.

In the various associations of men in volunteer organizations which define codes of ethics governing participation in the activities of such associations, extending even to the realm of sports, there is always a line of demarcation which prohibits further participation in such activities.

It would be a strange concept if in a matter of such grave importance as the maintenance of ethical standards in the conduct of business, a person who wrongfully employs to his advantage information disclosed in confidence, no matter how flagrant the wrong may be, can continue to compete by mere payment of limited monetary damages.

Both the District Court and the Court of Appeals failed to give proper consideration to the value of the confidential information which was not disclosed in the patent specification.

Casco commenced the manufacture of the iron with the full knowledge that it might be confronted with a claim of patent infringement and of unfair competition.

To avoid the full impact of these claims, Casco attempted to make certain changes in the design of the iron which would still give it the advantages of the distinctive features of the Schreyer iron.

The immediate decision of Casco to manufacture an iron having the distinctive features of the Schreyer iron necessarily carries the implication that the negotiations were conducted on the part of Casco with the ulterior purpose of putting itself in a position to compete if the negotiations could not be concluded on a basis satisfactory to Casco.

The technical knowledge which Casco obtained from Schreyer was of substantial value in effecting these changes.

In addition, Casco secured data as to the basic costs of manufacturing the iron and its various parts, which enabled it to design methods of manufacture which would give it a competitive advantage.

The Court of Appeals in its opinion recognized the difficulty of proving damages which would form the basis of an adequate recovery. (R. 1034).

Any doubt as to the adequacy of the relief by way of damages should be resolved in favor of the parties wronged and not the wrongdoer.

It is submitted that in the present case in view of the inestimable value of the information disclosed, and the flagrancy of the violation, the petitioners are entitled to injunctive relief under established equitable principles.

No petition for a writ of certiorari was filed in the *Conmar Products* case, so that the instant case affords the first opportunity for this Court since the rendition of that decision to resolve the direct conflict above-pointed out between the Court of Appeals for the Second Circuit and those of the Sixth and Seventh Circuits.

II.

Important Questions of Patent Law Have Been Decided in a Manner Which is in Conflict With Applicable Decisions of This Court.

(a) Finding each of the elements per se of the patented combination to be old, the decision below erroneously holds in the face of the conceded history of the art that the patent is invalid, solely for the reason that its admittedly new combination is a simple structure.

As we have seen, the Court below found that no less than four defects inhered in all electric steam irons of the prior art and that "the patent in suit has apparently disclosed a combination which does away with these handicaps". (*supra* 7, 8).

The Court below does not, however, comment upon the *uncontroverted* evidence that the experts in the art had made persistent but futile efforts for ten years to overcome some or all of the four defects of the prior art to which the Court below makes reference. Seven of these efforts are in evidence, and it stands undenied that all of these were failures (R. 133 to 142).

Nor does the Court below comment upon the uncontroverted fact that Schreyer who was himself an expert in the electric steam iron art, worked more than four years and expended more than $80,000. in the necessary experimental and development work before his efforts achieved the invention of the patent in suit.

Yet in the face of this unchallenged history, the Court below says:

> "To the extent that this combination is new, it does not embody the solution of problems too difficult for any but an inventor to cope with, and the result is a commercial product of the skill of the art, no doubt an improved ironer, but not a patentable combination." (R. 1032)

We submit the Court below should not have substituted its own *a priori* judgment for a judgment based on the history of the art, which conclusively shows that what Schreyer has accomplished was far beyond the skill of the art.

The Court below found that the old patents to Goodwin 75,150 and Gray 79,067, granted in 1868, disclose a flat iron with a hinged cover plate. That hinged cover plate serves the same function and nothing more than any hinged cover on any box, i. e. to afford access for introduction or removal of the contents, which are preheated in the case of Goodwin and Gray.

The Court below found that the Theilgaard Patent No. 2,279,215 shows an electric steam iron with a spring urged closure plug that serves also as a safety valve. That arrangement necessitates an inordinately small filling opening, for a larger one could not be effectively closed by such weak spring as alone the user could overcome by pulling upon the little button at the upper end of the closure plug unit. (R. 139)

After discussing these prior art patents, the Court below said:

> "It follows that decision as to validity must turn upon whether the relocation of the old elements, with the added use of the hinged cover as a lever to put the filler plug into place and as a means to hold it there, amounts to invention. If it does, it must be because of the use to which the hinged cover is put, for all the other features perform in combination as they do in the prior art." (R. 1032)

As a matter of fact, Schreyer's shield plate is not a closure at all (as are the hinged covers of Goodwin and Gray), but it is a lever by the agency of which the user applies arm pressure to the handle which is mounted thereon and thus renders possible the wedging into the filling well of the actual boiler closure, i. e., the closure plug and this with such force as to assure a leak-tight seal of the boiler, even though the user be a slight and feeble person.

By the new co-relation of the spring-urged closure with the shield plate, sufficient wedging force is exerted by virtue of the lever action to assure an adequate seal of even a large filling opening, which in turn does away with the need for a filling funnel, and with the need in order to gain access to the boiler, for pulling upon a little hot button such as in the Theilgaard patent, with Theilgaard's limitation to use of a very small filling opening.

The Court below has misapplied the law in reaching a finding of non-invention, where the Findings of Fact with which it concurs and others to which it makes no reference, should inevitably have led to a holding of validity. In recently upholding a patent, this Court restated the law controlling combination patents, as follows:

> "These findings are to the effect that the new combinations, while they involve old mechanical constructions, *combine these in a new way* so as to produce *an improved result.*" *Williams Mfg. Co.* v. *United Shoe Machinery Corp.*, 316 U. S. 364, 367. (Italics supplied)

The Court below, however, disregards that rule and erroneously cites as authority *Great Atlantic and Pacific Tea Co.* v. *Supermarket Equipment Corp.*, 340 U. S. 147, which the Trial Court distinguished (R. 43, 44) and indeed the *Court of Appeals itself distinguished* by pointing out how the parts are combined in a new way so as to produce an improved result (*supra*, p. 8).

In the final analysis, the Court below upset the claims solely on the ground that the structure is too simple to evidence *inventive* talent. In so holding, the Court below

has disregarded the recent admonition in *Universal Oil Products Co.* v. *Globe Oil and Refining Co.*, 322 U. S. 471, where this Court cautioned that:

> "Retrospective simplicity is often a misleading test of invention where it appears that the patentee's conception in fact solved a recognized problem that had baffled the contemporary art . . .".

Indeed the Court below actually found, as we have seen, that Schreyer in fact "solved a recognized problem that had baffled the contemporary art".

(b) The decision below is contrary to the Patent Statute which provides patent protection for new and useful improvements.

On the face of its decision, it is clear that the Court below is limiting the Patent Statute to a new and useful art, machine, manufacture, or composition of matter, that is, one which performs a basically new purpose, never theretofore accomplished. The Court below completely disregards the fact that the statute also provides for a patent to one who has made any "new and useful *improvements* thereof". (Appendix, p. 23).

The Court below finds that because electric steam irons, broadly speaking, were old prior to Schreyer's invention and because each of such prior electric steam irons had a filling opening for the boiler, as of course it had to have, and a closure plug for such filling opening, as it also had to have, and that such closure plug could be spring seated and so serve as a safety valve, therefore Schreyer's development cannot arise to the dignity of invention, even though it was *concededly* the first to eliminate the need for a separate funnel, the first to eliminate the hazard of scalding by spouting of water and steam in filling a hot iron, the first to eliminate the need for handling or even touching the closure plug, and the first to eliminate the difficulty due to corrosion of the closure plug with all its attendant evils.

Schreyer's shield plate, hinged to the rear of the iron, mounting the iron handle and suspending the spring-retaining closure plug that is wedged into the large filling opening by arm pressure of the user exerted against the handle of the iron constitutes a significant departure from anything that had been done before, as correctly found by the Trial Court, and constitutes the very type of improvement invention provided for by the Patent Statute, because it solved not only one but four problems that had plagued the prior art (*supra*, pp. 8, 19).

(c) The Court below has misapplied Cuno Engineering Corp. v. Automatic Devices Corp., 314 U. S. 84.

Manifestly the *Cuno Engineering* case is not to be construed as a mandate of this Court to invalidate all improvement patents. However, in practically every patent decision since rendered by the Court below, that case has been cited as authority, and never has it been analyzed in an attempt to distinguish those cases to which it is inapplicable. That the indiscriminate invalidation of patents is not countenanced by this Court appears clearly from its recent decision in *Graver Tank & Mfg. Co.* v. *Linde Air Products Co.*, 336 U. S. 271, 281, in which a patent was unanimously sustained even though it was for a mere improvement in the old art of electric welding fluxes, and though the invention resulted from mere experiment during a period of but six months.

Other United States Courts of Appeals have analytically determined the metes and bounds of the principle in the *Cuno Engineering* case and have distinguished it in holding patents valid which are far less impressive than that in the instant case. Yet this Court took no exception, for it denied review of such decisions in *Brown & Sharpe Mfg. Co., et al.* v. *Kar Engineering Co., Inc.*, 154 F. (2d) 48 (C. A. 1) (certiorari denied, 328 U. S. 869, Petition for Rehearing denied, 329 U. S. 822); *Falkenberg* v. *Bernard Edward Co.*, 175 F. (2d) 427 (C. A. 7) (certiorari denied, 338 U. S. 870).

Patents for improvements have in recent years been upheld by this Court in the following cases:

Exhibit Supply Co. v. *Ace Patents Corporation,* 315 U. S. 126;
Williams Manufacturing Co. v. *United Shoe Machinery Corp.,* 316 U. S. 364;
Goodyear Tire & Rubber Co. Inc., et al. v. *Ray-O-Vac Company,* 321 U. S. 275;
Graver Tank & Mfg. Co. Inc., et al. v. *Linde Air Products Co.,* 336 U. S. 271.

Summarizing the patent issue, it is contrary to the law as stated by this Court, for the Court below, though conceding that the invention was the first to have solved a problem, to disregard the unchallenged evidence:

(1) that those skilled in the art had labored for ten years without success;

(2) that the inventor's efforts had led to solution of the problem only after four years of persistent effort and great expense;

and then to find as a *non-sequitur,* that the physical changes which spell the difference between the prior efforts and the first successful consummation are simple and therefore non-inventive.

Such reasoning by the Court below must inevitably lead to a holding of invalidity of each and every *improvement* patent that comes before it.

All incentive to creative effort on the part of a lone inventor such as Schreyer, is being frustrated by the approach adopted by the Court below. The Constitutional purpose of our Patent System is thus being defeated by the Court of Appeals for the Second Circuit, with devastating consequences to industrial progress, and this, it is believed, this Court should avert by granting this petition.

CONCLUSION AND PRAYER.

There must be standards governing the conduct of business which accord with public policy and justice as among members of the public.

It is submitted that the standards set by the Court of Appeals in its disposition of the unfair competition claim are not in accord with sound principles of public policy or justice as between the petitioners and Casco and that the standards set in the disposition of the appeal upon the patent issue are much higher than those established by this Court in its determination of what constitutes invention as applied to an improvement in an article of such widespread use as a household necessity.

Wherefore, your petitioner respectfully prays that a Writ of Certiorari be issued to the Circuit Court of Appeals for the Second Circuit to the end that this cause may be reviewed and determined by this Court; that the Judgment of the Court of Appeals for the Second Circuit be reversed, and that petitioner be granted such other and further relief as may be proper.

Respectfully submitted,

DAVID S. DAY,
First National Bank Building,
Bridgeport 3, Connecticut.

MORRIS HIRSCH,
420 Lexington Avenue,
New York 17, N. Y.,
Attorneys for Petitioners.

December 3, 1951.

APPENDIX.

28 U. S. C., Par. 1338.

Patents, copyrights, trade-marks and unfair competition.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws.

35 U. S. C. 31; R. S. 4886. *Inventions patentable.*

Any person who has invented or discovered any new and useful art, machine, manufacture, or composition of matter, or *any new and useful improvements thereof,* * * * not known or used by others in this country, before his invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country, before his invention or discovery thereof, or more than one year prior to his application, and not in public use or on sale in this country for more than one year prior to his application, unless the same is proved to have been abandoned, may, upon payment of the fees required by law, and other due proceeding had, obtain a patent therefor. (R. S. sec. 4886; Mar. 3, 1897, ch. 391, sec. 1, 29 Stat. 692; May 23, 1930, ch. 312, sec. 1, 46 Stat. 376; Aug. 5, 1939, ch. 450, sec. 1, 53 Stat. 1212). (Emphasis supplied).

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1951

EDWARD P. SCHREYER AND RIVAL MANUFACTURING COMPANY,
Petitioners,

vs.

CASCO PRODUCTS CORPORATION,
Respondent,

No.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Opinions Below and Questions Presented

The case is an ordinary one of where a patentee and his licensee endeavor to prevent competition, by a suit for an injunction against manufacture and sale of an article, in this case, an electric steam iron for household use, and for damages. The basis claimed for injunction and damages were alleged patent infringement and misuse of confidential information.

The courts below decided that petitioners were entitled to damages because of unfair competition and refused an injunction, 97 F. Supp. 159, and 190 F. 2d 921. The Court of Appeals said, in affirming the district court, "we feel sure

that damages will afford a complete and adequate remedy for any wrong suffered because of unfair competition and therefore find no error in the denial of an injunction" (R. 1034, 1035). A petition for rehearing was denied without opinion (R. 1052). The petition here asks this Court to review the facts in this particular case in which the two courts below found that damages were adequate and that the extraordinary equitable, and discretionary, remedy of injunction should not be granted.

The Court of Appeals also decided, in this respect reversing the district court, that the patent in suit, Schreyer 2,475,572, was invalid for lack of patentable invention, citing *Cuno Engineering* v. *Automatic Devices*, 314 U. S. 84; *Great A. & P. Tea Co.* v. *Supermarket Equipment*, 340 U. S. 147 and other cases (R. 1033). The petition here asks this Court to review that decision for the purpose of setting it aside. The decision was right and should not be disturbed.

Magnum Import Co. v. *Coty*, 262 U. S. 159, 163.

> "The jurisidiction to bring up cases by certiorari from the circuit courts of appeals was given for two purposes; first, to secure uniformity of decision between those courts in the nine circuits; and, second, to bring up cases involving questions of importance which it is in the public interest to have decided by this court of last resort. The jurisdiction was not conferred upon this court merely to give the defeated party in the Circuit Court of Appeals another hearing."

STATEMENT

Petitioner Schreyer is the patentee and owner of the Schreyer patent, and petitioner Rival Manufacturing Company is an exclusive licensee under the patent. Originally, irons were heated by direct exposure to heat, and later, the irons had containers for heated charcoal or metal. Still later, a metal coil or wire in the iron was heated by current from an electric circuit. The iron often contained water which would steam when heated. The prior patents of Slonaker, 1,683,145 (R. 909) and Izumiza 1,830,875 (R. 913) are some of the many early electric steam iron patents. There is no new idea or principle of operation in the Schreyer patent,—it is merely an aggregation of old and unpatentable details such as hinged handles, safety plugs, latches, etc., as appears from the opinions of both courts below.

In January, 1948, Schreyer filed the application for the patent in suit, and also commenced to sell the iron of the patent, through the Waverly Products Company, which Schreyer and his brother owned (R. 164, 173). It is important to observe that the iron thus publicly and widely sold was the exact iron of the patent (district court opinion, R. 48), because, although the patent application was not then available to the public, the iron described in it was a matter of common knowledge, so that anyone could make it, subject only to possible patent claims.

The manufacture of the Waverly iron consisted of Waverly buying almost all the separate parts of the iron from manufacturers of such parts, and then assembling them into the finished article (R. 543, 584).

In April 1948, Schreyer's brother approached respondent Casco with a proposition that Casco buy Waverly and acquire the right to manufacture and sell the Schreyer iron (also referred to as Waverly iron and Steam-O-Matic) (finding of fact Nos. 9, 10, R. 58). Casco was a long-time and successful manufacturer of automobile accessories and household appliances such as cigar lighters, windshield heaters, fender guides, electric pads, tool kits, etc. (R. 194-5). Cone, Casco's president, was interested in the Schreyer iron proposition, because Casco was then expanding its home appliance division and had done work on an iron which had been interrupted by World War II (R. 195-97). Together with associates, Cone visited the Waverly assembly plant and also that of an Ohio supplier of dies for Waverly, seeing some machines which could be used in the manufacture of various articles and some that could be used only in the manufacture of the Schreyer iron.

The negotiations then continued until it was discovered that Schreyer had grossly misrepresented to Casco the amount of Waverly liabilities. The district court's opinion states:

> "The Schreyers in the initial phases of the negotiations had represented the financial condition of Waverly to be hopeful although it was temporarily short of cash. More and more liabilities of Waverly were revealed during the course of the conferences and it finally became apparent to Casco by early June that Waverly was in hopeless condition with liabilities of more than half a million dollars, exclusive of debts owed by the company to the Schreyer brothers. The negotiations terminated on June 6 without the formation of a license agreement" (R. 49).

Thereafter, following the termination of negotiations, Casco commenced to design an electric steam iron which was different in every part from the Schreyer iron. Some of these differences are stated in the district court's opinion (R. 46). None of the Waverly (Schreyer) manufacturing data, including blueprints, blanks (unfinished parts), and machines designed for Schreyer irons could have been, or were, used for the Casco iron which had its own and different blueprints, blanks and machines. And, although Schreyer informed Casco concerning how much it cost Waverly to make the Schreyer iron, this did not help Casco much, if any, in making the Casco iron because the Casco parts were different from the Waverly parts, Waverly bought most of its parts while Casco manufactured most of the Casco parts, and the manufacture was carried on by Waverly in Sandusky, Ohio and by Casco in Bridgeport, Connecticut.

It cost Casco over $500,000 to design its own iron (R. 829). It was not until September, 1949 (R. 586, 756), over a year after the negotiations terminated in June, 1948, that the Casco iron was first sold.

However, the trial court concluded that, although the Casco iron was different from the Schreyer iron except as to certain ideas in the Schreyer patent and, of course, also in the Schreyer iron, Casco received from Schreyer, while the latter was trying to sell Waverly to Casco, information helpful to Casco, saying "The essential ideas were taken from Schreyer or Waverly by Casco and used in the development of its own iron" (finding of fact 30, R. 61). There was no dispute that, as the trial court also found, "Casco could have lifted the ideas from the patent and from commercial models on sale" (finding of fact, 31, R. 61).

Respondent thought, and still thinks, that Casco did not receive any useful information concerning the Waverly iron, but the district court found otherwise, the Court of Appeals affirmed, and that question is not presented by the petition for certiorari. However, it is plain from the undisputed facts, as found by the trial court, that petitioners' case for unfair competition was close and doubtful.

The trial court, affirmed unanimously by the Court of Appeals, gave to petitioners an accounting for all damages because of Casco's use of confidential information disclosed by Schreyer. So, petitioners now can go before the Master who has been appointed by the district court, and the entire matter of the Schreyer disclosure and the Casco use be thoroughly investigated, and the damages, if any, ascertained.

1. The refusal of an injunction was right.

What petitioners here complain of is that the courts below decided, upon the facts in this case, that the extraordinary equitable remedy of injunction should not be granted.

Truly v. *Wanzer*, 5 How., 140, 142; 16 U. S. 339, 341;

> "There is no power, the exercise of which is more delicate, which requires greater caution, deliberation, and sound discretion, or more dangerous in a doubtful case, than the issuing an injunction. It is the strong arm of equity, that never ought to be extended, unless to cases of great injury, where courts of law cannot afford an adequate and commensurate remedy in damages."

Consolidated Canal Co. v. *Mesa Canal Co.*, 177 U. S. 296, 302;

> "It is familiar law that injunction will not issue to enforce a right that is doubtful,".

Harrisonville v. *Dickey Clay*, 289 U. S. 334, 338.

> "Where substantial redress can be afforded by the payment of money and issuance of an injunction would subject the defendant to grossly disproportionate hardship, equitable relief may be denied although the nuisance is indisputable. This is true even if the conflict is between interests which are primarily private".

In the present case, there is grave doubt as to whether respondent Casco misused any information obtained by or from Schreyer. The district court, in the exercise of its plain discretion, refused to grant the extraordinary equitable remedy of injunction and instead remitted petitioners to their proofs as to damages, the Court of Appeals affirming.

The petition here says (pp. 10-13) that there is a conflict of law between *Conmar Products* v. *Universal Slide Fastener*, 2 Cir. 172 F. 2d 150, and, on the other hand, *Shellmar Products* v. *Allen-Qualley*, 7 Cir., 87 F. 2d 104, and *A. O. Smith* v. *Petroleum Iron Works*, 6 Cir., 73 F. 2d 531, which should be resolved, because in the present case the courts below relied upon the *Conmar* opinion.

The present case, however, does not raise the question of whether or not there is a conflict between the Second Circuit and the Sixth and Seventh Circuits. That question would be presented only if, on the one hand, the *Conmar* case were necessary to the decision of the court below and, on the other hand, the *Shellmar* and *Smith* cases were serviceable precedents for the petitioners.

The court below in the exercise of its discretion refused an injunction in the present case because it was "sure damages will afford a complete and adequate remedy" (R. 1034). Thus, although we believe *Conmar* was right, and pertinent here, as a decision denying an injunction against use of confidential information after a patent issued containing such information, leaving the informer to his patent rights, and that the other decisions were wrong, yet even if the *Conmar* case was wrong, the refusal of an injunction here, because an adequate remedy was available, was correct. In the *Conmar, Shellmar* and *Smith* cases, the information disclosed was not known to the public but was contained only in secret patent applications. In the present case, the information was, as the trial court found, in "commercial models on sale" (R. 61). And it should be noted that the "confidential" relationship here cannot, in the light of Schreyer's deception with respect to the liabilities of Waverly, be described as one which the petitioners greatly respected.

The cited decisions of the Sixth and Seventh Circuits are of no avail to petitioners for a further reason. In both the *Shellmar* case (cited by petitioners, P. 13) and the *Smith* case (not cited), the courts were directly concerned only with misuse of confidential information which subsequently was embodied in patent disclosures as yet untested. The courts there granted the continuing injunctions on the ground that the offending party should not be permitted to place upon the patentee the further burden of suing the wrong-doer again for patent infringement relative to the same information. *A. O. Smith Corp.* v. *Petroleum Iron Works Co.*, 6 Cir., 74 F. 2d 935, states:

> "plaintiff ought not to have the burden of suing for patent infringement when its proprietary rights in

> the processes have already been adjudicated as against the defendant."

In the present case all of petitioners' rights as to the patent as well as to the confidential information embodied in the patent have been submitted by them and are capable of final determination in this one action. Therefore, the burden of future litigation relative to the patent right, which motivated the *Shellmar* and *Smith* courts, is not present in the instant case. Thus, if there be a conflict between circuits, as asserted by petitioners, resolution thereof will not decide the present case.

Finally, it should be noted that this Court has denied certiorari in three decisions of the Second Circuit relying on the principle enunciated in *Conmar: Pennington Engineering Co.* v. *Houde,* 136 F. 2d 210, certiorari denied 320 U. S. 771; *Picard* v. *United Aircraft,* 128 F. 2d 632, certiorari denied 317 U. S. 651; and *American Machine and Metals Co.* v. *De Bothezat Impeller Co.,* 180 F. 2d 342, certiorari denied 339 U. S. 979. The last case arose and was decided since the *Conmar* case..

The petition makes certain statements on page 15, upon which comment may be briefly made.

> "Casco commenced the manufacture of the iron with the full knowledge that it might be confronted with a claim of patent infringement and of unfair competition."

If petitioners mean that it is unlawful to compete because of a possible, or probable, claim of patent infringement or of unfair competition, petitioners are wrong.

> "To avoid the full impact of these claims, Casco attempted to make certain changes in the design of

> the iron which would still give it the advantages of the distinctive features of the Schreyer iron".

The "distinctive features" are those described and claimed in the Schreyer patent. The Casco design changes cost it over half a million dollars. And surely it is not wrong to endeavor to avoid law suits.

> "The immediate decision of Casco to manufacture an iron having the distinctive features of the Schreyer iron necessarily carries the implication that the negotiations were conducted on the part of Casco with the ulterior purpose of putting itself in a position to compete if the negotiations could not be concluded on a basis satisfactory to Casco".

The only purpose of the Casco decision to manufacture its own, and different, iron, was to make money thereby. As for the "negotiations", they were commenced by Schreyer, and were terminated when Casco learned that Schreyer had misrepresented by hundreds of thousands of dollars the value of the property which Schreyer was attempting to sell to Casco.

> "The technical knowledge which Casco obtained from Schreyer was of substantial value in effecting these changes".

That "knowledge" was how to manufacture the Waverly iron, which Casco never did. It took Casco a year, and over half a million dollars to design and produce its own iron. It should be noted in assessing the value of this "technical knowledge" that Schreyer was not and had never been a manufacturer of the iron or any other product.

> "In addition, Casco secured data as to the basic cost of manufacturing the iron and its various parts,

> which enabled it to design methods of manufacture which would give it a competitive advantage".

That "data" was the cost of manufacturing the Waverly iron, and not the different Casco iron. The proceedings before the Master will show, respondent believes, that this data was of little, if any, value to Casco.

> "The Court of Appeals in its opinion recognized the difficulty of proving damages which would form the basis of an adequate recovery".

The Court said "Although the provable damages may present more than the usual difficulty, we feel sure that damages will afford a complete and adequate remedy for any wrong suffered because of unfair competition and further find no error in the denial of an injunction" (R. 1034, 1035).

2. The patent claims were properly held invalid for want of invention.

This is an ordinary patent case, in which there is no conflict of decisions, because the patent has not been litigated elsewhere. And the patent is not even ordinary but subnormal, being merely an aggregation of old ideas, uninventively combined. Both courts below found that every feature in the patent claims was old. The trial court thought that to use the features together was inventive genius, but the Court of Appeals concluded otherwise, saying (R. 1032, 1033):

> "It follows that decision as to validity must turn upon whether the relocation of the old elements, with the added use of the hinged cover as a lever

to put the filler plug into place and as a means to hold it there, amounts to invention. If it does, it must be because of the use to which the hinged cover is put, for all the other features perform in combination as they do in the prior art. But to use a hinged cover plate one had merely to make a selection from among several old types of ironer. With that choice made, to locate the filler opening over the boiler and under the hinged cover plate was but to take advantage of an opportunity which presented itself without requiring inventive powers for its discovery. Then to mount an old combination filler plug and safety valve on this cover plate, so that it was pressed home and held there when the cover plate was lowered and latched in place, was a continuation of the same sort of skill which a good mechanic must have to be good. It was not enough to set him apart from the great number of that type and into the relatively small group of inventors whose genius produces the rare, novel, and useful advances which are patentable. To the extent that this combination is new it does not embody the solution of problems too difficult for any but an inventor to cope with, and the result is a commercial product of the skill of the art, no doubt an improved ironer, but not a patentable combination. *Paramount Industries, Inc.* v. *Solar Products Corp.*, 2 Cir., 186 F. 2d 999; *Cuno Engineering Corp.* v. *Automatic Devices Corp.*, 314 U. S. 84; *Schreyer* v. *Chicago Motocoil Corp., supra; Great A. & P. Tea Co.* v. *Supermarket Equipment Corp.*, 340 U. S. 147; *Addressograph-Multigraph Corp.* v. *Staudt*, 2 Cir., 124 F. 2d 672; *Weidhaas* v. *Loew's Inc.*, 2 Cir., 125 F. 2d 544.

"As we find nothing patentable in the combination disclosed, we make no attempt to distinguish between the claims held valid below, or between any

of them and the one held invalid, but now hold them all invalid for lack of invention."

The decision of the Court of Appeals does not present any unsettled questions of law or any questions of public importance with respect to patents. Under even the lowest standard of patentable invention, the Schreyer patent is plainly invalid.

CONCLUSION

The petition for certiorari should be denied.

Respectfully submitted,

GOLDSTEIN AND PECK,
Attorneys for Respondent.

STEPHEN H. PHILBIN
DAVID GOLDSTEIN
ARTHUR A. MARCH
BERNARD GLAZER
Of Counsel.

December, 1951.

Office - Supreme Court, U.
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CHARLES ELMORE CROPLE
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1951.

No. 459

EDWARD P. SCHREYER AND RIVAL MANUFACTURING COMPANY, *Petitioners*,

v.

CASCO PRODUCTS CORPORATION, *Respondent*.

PETITIONERS' REPLY BRIEF.

The Unfair Competition Issue.

Respondent's Brief contains certain statements reflecting on the honesty and good faith of Edward and Milton Schreyer in the negotiations with Respondent, Casco Products Corporation (hereinafter called Casco), which, if supported by the evidence, would necessarily have a serious effect on the right of Petitioners to injunctive relief.

The first is the statement on Page 4 of Respondent's Brief as follows:

> "The negotiations then continued until it was discovered that Schreyer had grossly misrepresented to

Casco the amount of Waverly liabilities. The district court's opinion states:

> 'The Schreyers in the initial phases of the negotiations had represented the financial condition of Waverly to be hopeful although it was temporarily short of cash. More and more liabilities of Waverly were revealed during the course of the conferences and it finally became apparent to Casco by early June that Waverly was in hopeless condition with liabilities of more than half a million dollars, exclusive of debts owed by the company to the Schreyer brothers. The negotiations terminated on June 6 without the formation of a license agreement' (R. 49)."

It is submitted that the opinion of the District Court does not imply any such misrepresentation as is claimed by Respondent.

There is no reference in the Brief to any evidence supporting Respondent's claim and the evidence definitely negates that there was any such misrepresentation.

At the meeting at the Waverly plant at Sandusky, when Mr. Cone and his associates inspected the plant, directions were given by Milton Schreyer to make available to Casco officials the records of Waverly, including a list of creditors and the amount owed (R. 477).

Edward P. McCarthy, and Alexander G. Wels, Assistant Comptroller of Casco, spent two days at the Waverly plant examining the records of the Company (R. 742 and 743).

At the first meeting at Bridgeport between Milton Schreyer and Mr. McCarthy following the inspection of Waverly Mr. McCarthy had a list of the creditors and the amounts owed, and discussed with Mr. Schreyer the large amounts owed by Waverly (R. 480).

The purchase contemplated by Casco was not of Waverly, as stated on Page 4 of Respondent's Brief, but only the machinery, equipment, parts in process and materials for making this particular type of iron,—Waverly at the time being also engaged in the manufacture of the older type of iron.

The question of indebtedness had no bearing on the negotiations except on the question of giving a good title to the property which was the subject of the proposed purchase,—a question which never arose because no definite offer of purchase was made.

How lacking in substance is this claim of misrepresentation made by the Respondent is evidenced by the testimony of Mr. McCarthy:

> "Q. And before any substantial amounts are paid out by the Casco Products Company for any new enterprise, is it your duty to investigate their financial standing, or the person with whom you are dealing, as part of your duty to look into the matter? A. If you are referring to this particular transaction, this was not—it was a case of the Waverly Products was a vendor, and they were going to sell us certain inventory, and if they had delivered that—we would not check into the financial position of a vendor because we would have the material and pay it. I would approve the purchase of it. But it wasn't a case of whether they were financial—if they were delivering material to us." (R. 721-722)

On Page 10 of Respondent's Brief is the following statement:

> "The only purpose of the Casco decision to manufacture its own, and different, iron, was to make money thereby. As for the 'negotiations', they were commenced by Schreyer, and were terminated when Casco learned that Schreyer had misrepresented by hundreds of thousands of dollars the value of the property which Schreyer was attempting to sell to Casco."

There is in the entire Record no evidence of any such misrepresentation as claimed by Respondent. The only representation which was in any way related to the value of the property was its cost to Waverly, which appeared in the Cost Records of Waverly made available to Casco,—the correctness of which was not questioned.

The statement in Respondent's Brief also carries the implication that the negotiations were terminated by Casco because of the alleged misrepresentations.

Mr. Cone, Mr. McCarthy and Lawrence E. Fenn, a Vice-President of Casco, all testified that the negotiations were terminated by the Schreyers at the meeting on June 5, 1948 (R. 650, 723, 787).

The only conflict in the evidence as to the termination of negotiations was that Edward and Milton Schreyer testified that the reason given for the termination of the negotiations was that the offer made in the form of the draft agreement (Ex 47, R. 880) would not be fair to the creditors of Waverly while certain of the witnesses for Casco controverted this testimony.

On Page 5 of Respondent's Brief the following statement is made:

> "Thereafter, following the termination of negotiations, Casco commenced to design an electric steam iron which was different in every part from the Schreyer iron."

The opinion of Judge Smith in the District Court in the part relating to the patent issue stated (R. 45):

> "With one exception the differences between the Schreyer steam iron and the accused Casco iron are so slight and insubstantial as to call for a finding of infringement, even when the claims of the patent are strictly construed and the doctrine of equivalents is sparingly applied."

On Page 9 of its Brief Respondent mentions three decisions of the Second Circuit in which this Court has denied certiorari. Not one of the petitions in the cited cases raised the question of injunctive relief presented here, and not one of those petitions was predicated upon the conflict between the decisions of the Court of Appeals for the Second Circuit and the decisions of the

Sixth and Seventh Circuits as set forth at Pages 10 to 16 of the petition filed in this case.

The Patent Issue.

Respondent's Brief does not question that the sole issue is the proper application of the law to the unchallenged facts of the case which are briefly summarized as follows:

1. That Schreyer solved a recognized problem which had baffled the contemporary art, and more particularly:
   (a) The experts in the art had made persistent but futile efforts for ten (10) years to overcome the serious defects of the prior art (Pet. 16).
   (b) Seven (7) of these efforts are in evidence and all of them were failures (Pet. 16).
2. That Schreyer, an expert in the art, had worked more than four (4) years and expended more than $80,000 of his own funds in experimental and development work before he had achieved the invention of the patent in suit (Pet. 8, 16).
3. That the invention completely solved and constituted the first solution of the problems with which the art had struggled in vain (Pet. 8, 19).
4. That the invention of the patent in suit met with immediate and impressive trade acceptance (Pet. 9).
5. That all manufacturers other than the respondent respected the patent in suit (Pet. 9).

The petition presenting a vital issue of patent law and involving no issue of fact, the Writ should be granted on the authority of *Williams Mfg. Co.* v. *United Shoe Machinery Corp.*, 316 U. S. 364, where this Court said at page 365:

"In pressing us to grant the writ, the petitioner insisted that it desired no retrial of the facts, but merely a proper application of the law to the facts found by the courts below. We granted the writ."

Respectfully submitted,

DAVID S. DAY,
First National Bank Building,
Bridgeport 3, Connecticut.

MORRIS HIRSCH,
420 Lexington Avenue,
New York 17, N. Y.,
Attorneys for Petitioners.

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